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WEEKLY SUMMARY

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CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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President Abboud has installed a civilian cabinet in an effort to cope with rapidly spreading demonstrations against his six-year-old military rule.

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The Tanganyika-based rebels apparently have started a guerrilla campaign aimed at ousting the Portuguese, but their threat is long term rather than immediate.

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Dissatisfaction with NATO's role in the Cyprus dispute has weakened Greek and Turkish support of the alliance, and their withdrawal of troops may have set a dangerous precedent.

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The prospects for Malta's political stability and economic well-being are not favorable. The island's government must deal with an inelastic economy, badly strained church-state relations, and an opposition group more dynamic than the ruling party. The present regime favors independence within the Commonwealth, a special position for the church, alignment with the West, and formal association with NATO. The opposition, which has a good chance of being elected to power in a few years, is anti-church, anti-West, neutralist, and anti-NATO.

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Rome may soon initiate political moves in anticipation of eventual recognition of Peiping. Italy's vote against Communist China's admission to the UN is not likely to change, but official efforts to increase trade will probably be made in the next few months.

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The all-out effort by the conservative governor of Guanabara State to win the presidential nomination of the large National Democratic Union promises to bring a new upsurge in political activity. President Branco fears that a campaign will disrupt the government's reform programs.

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SECRET**The Communist World****SOVIET DEVELOPMENTS**

Soviet officials continue to stress privately that the new regime does not intend any radical shift in foreign policy in the near future. For the time being, the new Soviet leaders appear to be concentrating on consolidating their regime and dealing with the immediate effects of Khrushchev's removal.

The leaders moved swiftly to deal with the adverse foreign Communist reaction. Brezhnev and Kosygin met with Gomulka over the past weekend in a move aimed at allaying Polish apprehensions, and a ranking Soviet mission went to Yugoslavia.

These visits underline the change which has occurred in relations between the USSR and the countries of Eastern Europe. Unlike the situation following Stalin's death and Khrushchev's expulsion of the antiparty group, when Eastern European leaders journeyed to Moscow to rally around the new Soviet leadership, the Soviets, this time, came to Eastern Europe to explain their position and apparently to seek support and understanding. Other top-level delegations will probably continue

the effort to allay doubts and confusion.

A few East European parties now have voiced some direct criticism of Khrushchev. The Hungarian Party at a 23 October plenum repeated its praise of Khrushchev, but, in contrast to a 17 October editorial, acknowledged that there were "mistakes in his method of leadership." Gomulka on 28 October gave his unqualified endorsement to the leadership changes and said the CPSU central committee was "justified" in making them. To say more would tend to cast doubt on the legitimacy of the leadership in Eastern Europe.

If Gomulka was reassured, the Yugoslav leaders clearly were not. An authoritative Belgrade daily published on 23 October a commentary which noted that there is a "certain anxiety" in connection with the fact that the new Soviet leaders are associating themselves with earlier anti-Yugoslav policies.

Soviet officials are using private conversations to give

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the impression that there will be no basic change in the USSR's attitude toward China. The Soviet counselor in Stockholm told the US ambassador on 21 October that "one can neither successfully appease nor reason with the Chinese." Although the new leaders have avoided specific mention of the December meeting of Communist parties, Polish officials in London said on 27 October that the meeting will take place as planned and that the Poles will attend.

The Polish officials in London indicated that the purpose of the December meeting will be to "freeze" the Sino-Soviet conflict, not push it to the limit.

These remarks suggest that the new Soviet leaders offered assurances that they would not exploit the December meeting to aggravate the split with China. They may also have indicated willingness to modify the terms of the conference and to mute polemics. Even Khrushchev repeatedly disclaimed any intention to "excommunicate" the Chinese. His objective apparently had been to use the meeting to demonstrate that Peiping, by refusing to attend, had in effect excluded itself from the Communist community.

The apparent decision to proceed with the December meeting reflects concern that if it were canceled or postponed the Chinese could claim a major victory over the USSR. Peiping's

attitude was evident in the Chinese ambassador's 19 October remark to his French colleagues in Moscow that any movement toward a detente would require Soviet actions such as cancellation of the December meeting and a halt to Soviet attacks on China.

Soviet officials also moved quickly to counter Western speculation that Khrushchev's projected visit to Bonn figured in his downfall. They have stated that the Soviet Government considers that the informal invitation extended to Khrushchev is still in force for the new premier.

Reports on the background and causes of Khrushchev's downfall underline the importance of differences within the leadership. A member of Pravda's editorial board has said that the immediate cause for the coup was the publication in Pravda on 2 October of a misleading account of the late September meeting of top party and government officials on a new long-term economic plan. The source indicated that although this meeting failed to reach agreements on final

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directives of the plan, Pravda's account, drafted by Khrushchev's "press group," gave the impression of an agreed directive to de-emphasize heavy industry and defense. The purpose of the coup, according to the Soviet official, was to prevent this alleged directive from being converted into action.

The Pravda editor, however, thought that it was opposition to scaling down defense priorities that proved conclusive in bringing about Khrushchev's downfall and the defeat of his economic program. The source states that if the influence of any one person on the military side was predominant, it was Marshal Sokolovsky's. He added that Sokolovsky might be called out of retirement to replace the late Marshal Biryuzov as chief of the General Staff.

A number of other reports put Khrushchev's handling of agriculture prominently in the catalogue of grievances against him. There have been several indications that Khrushchev's plans for the November plenum on agriculture had not been accepted by the party presidium but that Khrushchev nevertheless disclosed the new policies to local officials in an effort to force the presidium's hand.

Khrushchev's hasty reorganization of the party in 1962 into two separate and cumbersome organizations for agricultural and

industrial affairs also became a point at issue.

That agricultural differences played a significant part in the case against Khrushchev is further suggested by the fact that Polyansky, deputy premier in charge of agriculture, is reported to have been the only official other than Suslov to have outlined the case against Khrushchev to the central committee.

The Soviet leaders have not announced personnel changes except the replacement of Aleksey Adzhubey by veteran party propagandist Vladimir Stepakov as chief editor of Izvestia. The journal Party Life in its latest editorial asserted that party organs "have the duty" to oppose poor leaders, which suggests that other removals are imminent, as has been rumored.

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SELECTED ECONOMIC INDICATORS ON SOVIET ECONOMIC SITUATION

JANUARY - SEPTEMBER 1964

Percentage Increase Compared with Same Period in Preceding Year

| | Nine months 1964 | Nine months 1963 | 1st half 1964 | Planned rate of increase for 1964 * |
|---------------------------------------|---------------------|---------------------|------------------|---|
| Industrial production | 7+ | 8.7 | 7.5 | 6.7 |
| Labor productivity in industry | 4 | 6 | 4 | 4.6 |
| Chemical industry | 15 | 17 | 14 | 16.6 |
| Ferrous and non-ferrous metallurgy | 8 | 9 | 8 | X |
| Fuels industry | 7 | 10 | 8 | X |
| Food & light industries | 3 | 7 & 4 | 2 | X |
| Mineral fertilizer | 28 | 13.6 | 23.4 | 28 |
| Chemical equipment | 18 | 9 | 15 | 24.5 |
| Pesticides | 50 | X | 46 | 40 |
| Synthetic fibers | 16 | 12 | 15 | 17 |
| Pig iron | 6 | 6.6 | 6 | 4.8 |
| Steel | 6 | 5.4 | 6 | 4.7 |
| Oil | 9 | 11 | 10 | 7.7 |
| Gas | 22 | 22 | 20 | 20 |
| Electric power | 12 | 13 | 11 | 9.7 |
| Cement | 5 | 8 | 3 | 4 |
| Leather footwear | 2 | 1 | 3 | 2 |
| Television sets | 19 | 13 | 19 | X |
| Washing machines | 26 | 27 | 27 | X |
| Refrigerators | 21 | 9 | 20 | X |
| Meat (from state supplies) | -20 | 18 | -18 | X |

X Not Available

* In most instances the planned rate is the implied annual rate necessary to achieve the goals of the 1964-65 plan.

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RECENT ECONOMIC DEVELOPMENTS IN THE USSR

Soviet economic activities since the change of leadership do not suggest that the new leaders envisage significant changes in economic goals, at least for the immediate future. However, some alterations in operational methods and organization are possible. The relative weight of economic factors in Khrushchev's fall is still not clear in Soviet press coverage.

The limited press treatment of economic matters in the past two weeks does not indicate that a major adjustment in the present pattern of resource allocation is imminent. Since the coup the only central press editorial concerned solely with economic matters states that "the party regards as its principal task the development of the productive forces in our society and, on this basis, to raise steadily the living standards of the Soviet people." The phrase "productive forces" in Soviet jargon refers to the industrial base of the Soviet economy. However, the editorial omits the clearly stated emphasis on heavy industry so traditional to Soviet economic pronouncements in the past, and also does not mention the requirements of defense. Other postcoup statements have asserted that necessary military requirements will be met.

The implications of the editorial are not completely clear. It may represent only an effort to reassure the populace rather than an accurate expression of future economic policy.

In its most explicit economic action to date, the new regime has authorized the continuation and expansion of an experiment involving liberalism in economic operations. This experiment, which has allowed considerable autonomy in production to two textile plants, will be expanded to include more than one third of all clothing and footwear factories by the second half of 1965. The USSR National Economic Council made this decision on 19-20 October despite earlier criticism by the Finance Ministry of results in the two pilot factories.

Nine-month plan results show a continuation of the lackluster performance characteristic of the economy thus far in 1964. The increase in industrial production slipped to "more than 7 percent," compared with 7.5 percent for the first six months of this year and 8.7 percent for the January-September period last year. The rise in labor productivity continues to be below plan.

The chemistry program again moved forward as chemical products, fertilizers, pesticides synthetic fibers, and chemical equipment all registered increases well above the over-all industrial average. At the other end of the scale, the 3-percent growth of the food and light industries was somewhat better than the 2-percent figure recorded for the first half of the year, but still far below the increases necessary to improve consumer welfare substantially. Meat provided from

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state supplies was one fifth less than a year ago, but certain consumer durables continued to increase at an impressive rate.

As of mid-October, grain purchases by the state were at an estimated record 66 million metric tons (MMT). The previous high was 57 MMT in 1958 and 1962. With the total grain crop tentatively projected at 125 MMT, record state purchases this year are probably attributable to the desire to build up state reserves, and to smaller livestock herds, especially swine.

Last week's release of small quantities of wheat flour to the population for the first time in over a year reflects both the improved grain situation and a bid for confidence by the new leadership. In a similar move, the new leaders have apparently canceled the central committee plenum scheduled for next month. Preliminary reports indicated that Khrushchev had intended to use this occasion to push through another of his unsettling reorganizations of agricultural administration.

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CZECHOSLOVAKIA PROPOSES NEW ECONOMIC SYSTEM

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Czechoslovakia is going ahead with plans for extensive liberalization of its economy without regard to changes in the USSR. Shortly after Khrushchev's removal, the regime published "principles" which are to form the basis for a new system of management to be completed before the next five-year plan begins in 1966.

The central committee will discuss these principles in November and approve measures to implement them. The principles criticize the "dogmatic ideas" of the past and the rigidity of the existing Soviet-type system, and call instead for planning based on "objective" economic criteria and for flexibility in response to market changes at home and abroad.

Long-range planning (five years or more) is to be the main instrument for central control of the economy. Supervisory authority is to be transferred from the ministries to much smaller "branch directorates," which will be expected to stress technology and profitability. The principal investments will continue to be centralized, but greater use will be made of bank credits and the retained earnings of enterprises. Plants are to be charged interest on their fixed and working capital.

Producers are to be permitted to select their own means of meeting their customers' needs and, in some cases, to have direct contracts with foreign customers. To encourage plants to cut costs and produce the types

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of goods most in demand, bonuses will depend solely on profits. The government will set or control most prices, but with a view to actual conditions of supply and demand, including those on the world market.

The principles are quite like many of the proposals of the economic liberals, but

leave the door open for tightening state and party controls if necessary. Putting them into practice will be a major issue involving many conflicting interests, and the outcome will be influenced greatly by economic political developments over the next year.

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COMMUNIST CHINA'S TRADE WITH THE FREE WORLD

Peiping's trade with the free world this year may be up approximately 20 percent over last year's \$1.5-billion total, but there are signs that further large increases may face harder going.

Most of the increase was in trade with Asia. Sino-Japanese trade rose spectacularly, almost doubling the 1963 volume. It will probably reach a post - World War II high of about \$250 million. Exports of textiles and livestock have boosted Peiping's net earnings from trade with Hong Kong--its largest source of foreign exchange--about 30 percent above the record level reached last year. Trade with Indonesia and with Malaysia, Peiping's second largest source of free world currency, is also up.

Even in Asia, however, which has been a ready market for China's textiles, cheap manufactures, foodstuffs, and miner-

als, underdeveloped countries have begun to offer stronger competition, particularly in textiles and manufactured goods which make up Peiping's most important exports. In addition, the poor quality of some other Chinese products--such as coal and iron ore--has reportedly discouraged buyers.

China's trade with other parts of the free world, aside from grain imports, has increased slowly. Exports to Australia, Canada, and Argentina, the countries which provided most of the record 6.4 million tons of grain imported by China so far this year, remain small. Chinese trade missions to Canada in the past year have apparently made few sales. Moreover, in Western Europe where China has contracted for about \$100 million worth of complete industrial plants since mid-1963, trade has expanded slowly, mainly because of lack of European interest in Chinese products.

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CHINESE COMMUNIST FOREIGN MINISTER REVISITS AFRICA

Peiping's determination to spread its influence in Africa is underscored by Foreign Minister Chen Yi's second visit to Algiers in less than a year. Chen is heading a large Chinese delegation to the 1 November celebrations marking the 10th anniversary of the outbreak of the Algerian rebellion, and will probably visit other African capitals.

During a ten-country tour of the continent last winter, Chen shared honors with Chou En-lai, but the premier reportedly has undergone minor surgery recently and may not be up to another protracted African safari. As was the case last year, the present trip is shrouded in secrecy, probably because of Peiping's extreme concern over security. There was no official announcement prior to Chen's departure; and, as in the past, the first indication of an impending tour was found in Western press reports.

While in Algiers, Chen Yi will undoubtedly use China's recent nuclear test to bolster Peiping's claim to great power sta-

tus. At the same time he can be expected to give reassurances of Peiping's peaceful intentions and to plug for support of the Chinese call for a universal nuclear ban. The Chinese leader will also probably discuss the Second Afro-Asian Conference, which Peiping clearly hopes to dominate and which is scheduled to be hosted by the Algerians next spring.

After the Algerian festivities, Chen may well tour the former French dependencies in West Africa which have provided the Chinese Nationalists with crucially important diplomatic support, especially in the UN.

In East Africa, Chen may visit Kenya, Uganda, and the United Republic of Tanganyika and Zanzibar, all of which maintain diplomatic relations with Peiping, but had to be dropped from his itinerary last winter as a result of army mutinies and the Zanzibar coup. It is also possible Chen will visit Ethiopia, which is reportedly planning to establish diplomatic relations with Peiping soon after the US elections.

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STEPS TOWARD CIVIL RULE IN SOUTH VIETNAM

The High National Council has designated its own president, Phan Khac Suu, to be South Vietnam's new chief of state. The completion of Suu's government has been delayed beyond the original 27 October deadline, however. The council's apparent last-minute switch to Suu from General Minh, previously reported in line for the post, may reflect a combination of behind-the-scenes bargaining and pressure from various quarters, including religious circles, to appoint a civilian.

Even with the final composition of the new government in doubt, General Khanh's prospects for continuing to exercise a strong influence in the new regime appear favorable. Suu, a generally respected nationalist, has lacked both physical and mental vigor since his three-year imprisonment by the former Diem regime, and he has indicated that he will serve only until an assembly is convened. The three leading candidates for the premiership--Saigon Mayor Tran Van Huong, Interior Minister Nguyen Luu Vien, and nationalist politician Ho Van Nhut--may prove unable to exert strong leadership.

General Khanh appears to be engaging in at least oblique actions to influence the character of the new government and to demonstrate his continuing authority. Following Suu's appointment, he convened a meeting of the senior military officers who in a secret ballot supported him as commander in chief, presumably a device for persuading the new civilian leaders

of his right to the post. At the same time, he is acting to lessen dissension among several military cliques in order to increase military unity under his leadership.

Viet Cong military activity during the period 18-24 October increased in scale--371 incidents compared to 543 for the previous week--but reflected a significant decline in intensity in terms of casualties, weapons losses, and scale of attacks. Armed attacks declined to the lowest level since last August.

New strains have developed between South Vietnam and Cambodia as a result of a flurry of recent border incidents. South Vietnamese planes, seeking out Viet Cong targets, mistakenly bombed and strafed a Cambodian village on 20 October. Succeeding troubles along the border involved some ground skirmishing and further air incidents, including the shootdown of an American transport plane by Cambodian groundfire. Cambodia, for its part, is taking a militant defensive posture along the frontier. Prince Sihanouk has warned that any "new" aggression would lead Cambodia to break relations with the US, to recognize Hanoi and the Liberation Front in South Vietnam, and to retaliate in kind "whatever the consequences." Saigon seems inclined to defuse the present explosive situation, but the active presence of Viet Cong guerrillas in the border area poses a continuing problem which is likely to lead to further incidents.

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AREA NOTES

Cyprus: Tension continues to abate. On 26 October the Nicosia-Kyrenia road was opened to unarmed Greek Cypriots for the first time since last December. The same day, the long-delayed rotation of part of the Turkish Army contingent took place. U Thant's personal representative on Cyprus has indicated that he intends to use these moves to press for other steps toward normalcy, such as further removal of economic restrictions and freedom of movement for all civilians. In Ankara, officials have announced that discharges of reserves, temporarily postponed during the crisis over rotation, will take place shortly.

Greek Cypriots continue to discuss enosis--union with Greece--and how it should be obtained. All Greek Cypriot leaders, including the Communists, continue

to give lip service to enosis. At a Greek holiday celebration on 28 October Makarios professed his "unshaken belief that the struggle for enosis will be crowned by success soon."

At the same time, many Greek Cypriots are putting conditions on accepting enosis. The non-Communist president of the House of Representatives recently told a leftist-sponsored meeting that enosis can come only if all foreign bases are banned.

UN mediator Galo Plaza believes Makarios prefers an independent Cyprus but would accept enosis if he could appear to be its sponsor. Plaza, who appears to favor enosis as more beneficial to the West, has nevertheless implied that unless all parties agree to enosis he will feel obliged to recommend in his December report complete independence for Cyprus.

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Congo: Government forces are advancing from Bumba and Boende toward Stanleyville, the rebel capital. The rebels between Bumba and Stanleyville--a distance of 260 miles--appear to be in some disarray. Other

government units in the central and southeast Congo also continue to advance. Insurgents have made minor gains in the northeast, but Congo Army troops appear to be rallying.

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RHODESIAN INDEPENDENCE ISSUE SHARPENS

The divergence between London and Salisbury is sharpening as the Rhodesian Government moves toward an early unilateral declaration of independence and Britain's new Labor government attempts to block such a move.

In Salisbury, Prime Minister Smith is determined to achieve complete independence for a white-ruled Rhodesia--called Southern Rhodesia before its northern neighbor became independent as Zambia on 24 October. His government has received increasing support from the overwhelmingly white electorate in a country where 220,000 Europeans are outnumbered by 3.7 million Africans.

Rhodesian whites have enjoyed government for approximately 40 years, but its present leaders fear that without total sovereignty control might eventually pass to the Africans under British prodding. Britain's long-standing policy of assuring majority rule preceding independence was reaffirmed at last July's Commonwealth prime ministers' conference. The subsequent achieving of full independence under African rule by Zambia and Malawi, Rhodesia's former federal partners, had further galled Rhodesian whites.

A joint communiqué with London in September implied that independence would be granted on the basis of the present limited franchise constitution if a majority of Africans as well as Europeans consented. Smith has exploited this to consult

Rhodesian opinion in his own way. Registered voters--including only 15,000 Africans--will vote on independence in a referendum on 5 November. The views of the mass of disfranchised Africans have been obtained by holding a conclave of 622 tribal chiefs and headmen, who are paid government officials. The chiefs' unanimous consent to independence on the regime's terms was duly declared on 26 October in the face of a British announcement that this procedure was not acceptable.

Harold Wilson's government in London has moved quickly to warn Salisbury against proceeding on its present course. On 27 October Wilson publicly declared that a unilateral announcement of independence would be illegal and would result in imposition of British economic sanctions, the loss of British nationality for anyone supporting the new regime, and international diplomatic isolation for Rhodesia.

The Rhodesian Parliament began discussing the British stand on 27 October. Smith indicated his intention to proceed with the referendum, and to go to London later for a final attempt to win British consent for independence. Although the latest statements from Wilson and Smith virtually preclude a negotiated settlement of the constitutional issues, Smith probably hopes that London talks may somehow allay the intense aversion of Rhodesian moderates to a unilateral declaration of independence.

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TURMOIL BREAKS OUT IN SUDAN

Political upheavals during the past week have brought Sudan to the brink of chaos. A hastily formed new government seems unlikely to last for long.

Widespread disturbances in Khartoum were sparked by student demonstrations which took place after police killed two students in the course of breaking up a university meeting. The meeting, held against government orders, had been called to discuss the government's handling of the rebel separatist movement raging in the Negroid southern provinces. The southern question, however, quickly became incidental to a general protest against President Abboud's six-year-old military rule.

When political, professional, and labor groups came out in support for the students over the weekend, the demonstrations spread to other cities in the Sudan. A general strike was called, and various opposition groups quickly formed a "National Front" calling for immediate return to civilian government. Abboud acceded in part to civilian demands by dissolving both the military Supreme Council and the cabinet. When he failed to follow this up immediately with

the formation of a new government, the anti-military demonstrations were renewed.

Still apparently attempting to maintain some order in the country, Abboud has now accepted the Front's candidates for a purely civilian interim government. This group plans to rule until a constitutional parliament can be elected. The new cabinet will reportedly include representatives from the three old-time political parties, the Muslim Brotherhood, and the Communists, as well as some independents and southerners. The widely diverse interests included in the Front, however, have reportedly already brought dissension among its leadership, and the new cabinet is unlikely to stick together.

The military's ability to deal with the fast-moving situation was seriously impaired by major upheavals within the army leadership. A number of key generals were removed from their posts, including Generals Hasan Bashir Nasr and Talaat Farid, both of whom still command large personal followings.

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MOZAMBIQUE NATIONALISTS BEGIN OFFENSIVE

A long-term guerrilla offensive against Portuguese rule in Mozambique has apparently begun. Eduardo Mondlane, leader of the major Mozambique nationalist group, the Tanganyika-based Mozambique Liberation Front (FRELIMO), has privately stated that his group is responsible for a series of attacks beginning in late September on military patrols, administrative centers, and communications lines in northern Mozambique. He claims the attacks will continue on a regular basis and threatens more drastic action, including terrorism in the cities, if the Portuguese refuse to negotiate.

This marks an acceleration of FRELIMO's timetable. Mondlane had stated recently that he was not yet prepared to begin guerrilla activity. Elements within his movement, however, and African states anxious to end Portuguese rule, have apparently exerted pressure on him. The guerrilla raids actually began while Mondlane was visiting Eastern Europe.

FRELIMO's strength is somewhat nebulous. It claims 2,000 trained fighters, but is militarily weak at present compared to the Portuguese. The extent of its popular support in Mozambique is unknown, despite the existence of considerable discontent there.

The long-range potential of FRELIMO is enhanced by increasing foreign support. Tanganyika is furnishing training

facilities and instructors, and funds have been provided by the OAU's Liberation Committee and probably by Communist China. The Soviets may have tentatively offered material support. Last April, 150 FRELIMO men finished a seven-month guerrilla warfare course in Algeria. The faltering anti-Portuguese rebellion in Angola may encourage greater African and Communist backing for FRELIMO's efforts in Mozambique.

The Portuguese are determined to retain their position in Mozambique, and with 17,000 troops appear fully capable of doing so for some time. Conditions would have to deteriorate radically for them even to consider negotiating with the nationalists. They have called up Mozambique reservists and have cleared Africans from the northern border area, causing a reported 8,000 refugees to flee into southern Tanganyika.

The Portuguese are concerned about morale of the European minority--particularly in the remote northern area where plantation owners report difficulty recruiting African workers. General Costa Almeida, the governor general, has reportedly disagreed with the military commander in Mozambique over the extent of repressive military action and may be recalled. Tanganyikan President Nyerere fears Portuguese military reprisals and has sent reinforcements to the poorly guarded border area.

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Europe

FRENCH-GERMAN CONFRONTATION AND THE KENNEDY ROUND

The Common Market countries have generally reacted sympathetically to France's threat to leave the EEC unless West Germany agrees to unification of community grain prices, but they are critical of its "ultimatum" tone. In private statements, French officials have since tended to play down this aspect of their position and to remain ambiguous over what measures De Gaulle might take against the EEC. They have nevertheless emphasized that France considers the common agricultural policy a matter of great importance and have clearly indicated that progress in the Kennedy Round depends on further progress in agriculture.

In conversations with US Embassy officials in Paris both Foreign Minister Couve de Murville and his influential subordinate Wormser have stressed the impossibility of proceeding with the Kennedy Round negotiations as long as the grain price issue is unresolved. Wormser said, however, if the Germans yielded there would then be "no problem about the negotiations going forward." Both he and Couve hinted at French annoyance over US failure to press the Germans to agree on the grain price question. Just prior to the French cabinet announcement, an adviser of De Gaulle told the embassy that, given a grain price settlement, Paris was prepared

to "bargain on grain arrangements" with noncommunity countries and to be flexible in negotiations on other agricultural items.

A French representative in Brussels has indicated that Paris is still "very angry" with the EEC Commission's manner of conducting its Kennedy Round talks with the US and would now insist that the commission "coordinate" its position with the member states. The commission has to make a progress report on these talks to the member states on 4 November. The Frenchman, therefore, was implying that Paris would not agree to any modification of the EEC's position on agricultural negotiating rules. The US position is that progress on the agricultural front must be made if the 16 November starting date for bargaining on industrial items is to be met.

Even if agreement with the US on the agricultural rules is achieved, however, the French could still stall community participation in the Kennedy Round pending resolution of grain prices, and it remains the consensus of most observers that a major year-end crisis is almost unavoidable. The Kennedy Round, along with almost all other significant community prob-

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Europe

lems, probably will be included in such a showdown. A Bonn Foreign Ministry official has also observed that the convergence of several major European problems --grain price and the MLF--may preclude progress on any one.

It is possible Bonn may seek some as yet unspecified compromise on grain prices, but the recent French statements suggest that there is little room to maneuver. In the absence of a grains decision, a bilateral trade arrangement with Germany outside the Common Mar-

ket framework might, for example help solve the problem of France's grain surplus. It seems more probable, however, that Paris will attempt, initially at least, to capitalize on its own "pro-European" stance on agriculture, and also cite Bonn's attachment of the MLF as an indication of German nonsupport of the European community. In talks with West German Foreign Ministry official Carstens this week, Couve characterized Bonn's MLF ambitions as "isolating the Germans from other European countries as well as the French."

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NATO: IMPACT OF THE CYPRUS DISPUTE

Dissatisfaction with NATO's role in the dispute over Cyprus has weakened support of the alliance in both Athens and Ankara. This was first noticeable in June when Greece bowed out of a NATO sea exercise in the Mediterranean. In September, the North Atlantic Council (NAC) was forced to cancel two other important exercises in the area, because Greece and Turkey had just a few weeks before abruptly withdrawn forces assigned to the southeast NATO command. Although the withdrawals proved to be temporary for the most part, they cast doubt on whether either country can be counted on to live up to its force commitments to the alliance. In fact, Greece has still not returned certain staff elements withdrawn from the command's Izmir headquarters which had provided tangible evidence of day-to-day Greek-Turkish military cooperation.

In September, both countries appealed to the NAC for help in heading off a showdown between them, and Secretary General Manlio Brosio began immediately to study how NATO might play an effective role to that end. The effort soon foundered, however, because of the basic intransigence of both parties over the Cyprus situation.

Greece in particular, opposed Brosio's use of a good offices role established in 1956 by a NAC resolution, and bitterly assailed NATO's role in the Cyprus affair, charging that the alliance is biased in favor of Turkey. The unsuccessful US effort to assist the UN mediator in Geneva also tended to cause both Athens and Ankara to link the US with the failure of the NATO conciliation machinery.

The long-term effects, if any, that the present Greek-Turkish dispute will have on the alliance will be uncertain as long as the Cyprus problem remains unresolved. Both countries have heretofore built a reputation for faithful and loyal service in NATO since their admission in 1952, which was achieved only over the objection of several European members. Their recent actions, however, have set some unfortunate precedents which may one day be turned against the alliance by other members. A more serious concern is that the chink in NATO's armor at the southeastern end of its defense arc is now exposed to the USSR and its Eastern European allies. [REDACTED]

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Europe

ITALIAN RELATIONS WITH COMMUNIST CHINA

Rome may soon initiate political moves in anticipation of eventual recognition of Peiping. No change in the Italian vote against the admission of Communist China into the UN is likely, but there may well be some official steps taken to increase trade between the two countries.

Neither Rome nor Peiping has broached diplomatic recognition, but Italian officials claim that domestic sentiment has long favored it. Pressure is expected to increase rapidly after the US elections and during the upcoming UN session.

Foreign Minister Saragat is said to believe that the recent Chinese nuclear test will encourage the whole left wing of parliament to step up their demands for recognition and, he believes, some sort of action cannot now be long delayed. He has, however, indicated that the US would be alerted beforehand of any contemplated Italian policy moves concerning Communist China.

Saragat is also reported to be considering a deal tying rec-

ognition of Peiping to Socialist support for Italy's participation in MLF. Such an arrangement might help win broader Socialist support for the MLF, but the Socialists' decision will be primarily determined by their final assessment of the merits of the force and, according to Socialist chief Nenni, what position the British Government takes. The Socialists' position also will be affected by the party's showing in the 22-23 November national municipal elections.

Italian industrial interests have long pressed for expanded exports to Communist China. This pressure has also intensified lately, as the trade of some European countries with Peiping has expanded while Italian sales have declined. There is, therefore, a good chance that the Moro government will consider it advisable to go ahead in the next few months with the exchange of quasi-official trade missions which were discussed with Peiping last June. A high-powered private trade delegation is scheduled to visit Communist China next spring.

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Western Hemisphere

BOLIVIAN DEMONSTRATIONS MOST SERIOUS IN FOURTEEN YEARS

The violent antigovernment demonstrations that have erupted in every major city in Bolivia since 21 October represent the greatest challenge to political stability in the fourteen-year rule of the Nationalist Revolutionary Movement (MNR).

Both rightist and leftist opposition parties are behind the outbreaks, but they have used their followers in the universities and secondary schools to spearhead their demonstrations. At the outset the primary grievance was press censorship imposed by the government under a state-of-siege declaration issued on 20 September. However, the emphasis has switched to protests against the government's repressive measures which have caused several deaths. The government has granted some concessions to the students, including the revocation of censorship, but enough momentum had already been gathered to turn the demonstrations into demands that President Paz relinquish control of the government.

Paz is apparently determined to stand his ground and

put down this challenge to his rule. He is presently relying primarily on the national police, the peasant militia, and loyal MNR militia units to quell the disorders. In the capital, these forces have so far been able to contain the demonstrators. The situation in provincial cities, particularly in Oruro where local miners are now in full revolt, is far more serious, however. Fewer police are deployed in these localities and the loyalty of local militia units is questionable.

The ultimate outcome hinges on whether the armed forces will remain loyal to Paz. At the moment, the military does not seem inclined to shift allegiance. [REDACTED]

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Vice President Barrientos is maintaining an ambiguous position. If he came out strongly for Paz, the situation would probably be eased somewhat. His continued silence, however, will encourage efforts to overthrow the government. [REDACTED]

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Western Hemisphere

COLOMBIAN MILITARY ANTIGUERRILLA OFFENSIVE

The Colombian Army resumed its offensive in the Communists' Marquetalia enclave last week after a six-week stand-down. In the meantime, social reform and civic action programs introduced into Marquetalia early this year have produced few positive results. Indeed, they have been handicapped by strong antiarmy sentiment generated by the military's heavy-handed treatment of the local peasants.

Public criticism of the way the antiguerrilla campaign has been conducted, added to the discomforts of fighting in difficult terrain, has sapped the morale and discipline of the troops in Marquetalia. This slippage, however, may have been restored somewhat by a recent victory scored over the forces of Communist guerrilla leader Tiro Fijo (Sure Shot).

Although the army had overrun Tiro Fijo's headquarters and occupied about half of his territory by mid-June, the peasants in the region are still being subjected to clandestine shake-downs by Tiro Fijo's "collectors." The "collectors" demand food, money, and arms from the peasants under threat of death. The soldiers, subject to ambush and harassment themselves, seldom dis-

tinguish between voluntary and involuntary collaborators, and punish all who are suspected of provisioning Tiro Fijo. Tiro Fijo and the Colombian Communist Party (PCC) have lost no opportunity to exploit this to the army's disadvantage.

The executive committee of the PCC also is said to hope it can relieve pressure on Tiro Fijo by inducing Punto Rojo (Red Point), another bandit leader, to initiate a diversionary action in Marquetalia. In addition, a group of guerrilla "experts" led by Capitán Veneno (Captain Poison) was to commence assisting Tiro Fijo to work out new tactics.

The achievements of the widely heralded reform program add up to little more than some improvements of army supplyroads. The subsistence economy of the area remains unchanged and there has been no marked improvement in the exceedingly low health and welfare standards of the local people. Moreover, little has been achieved in overcoming the chief obstacle to progress, that is, the deeply ingrained peasant dislike of the army and distrust of the central government.

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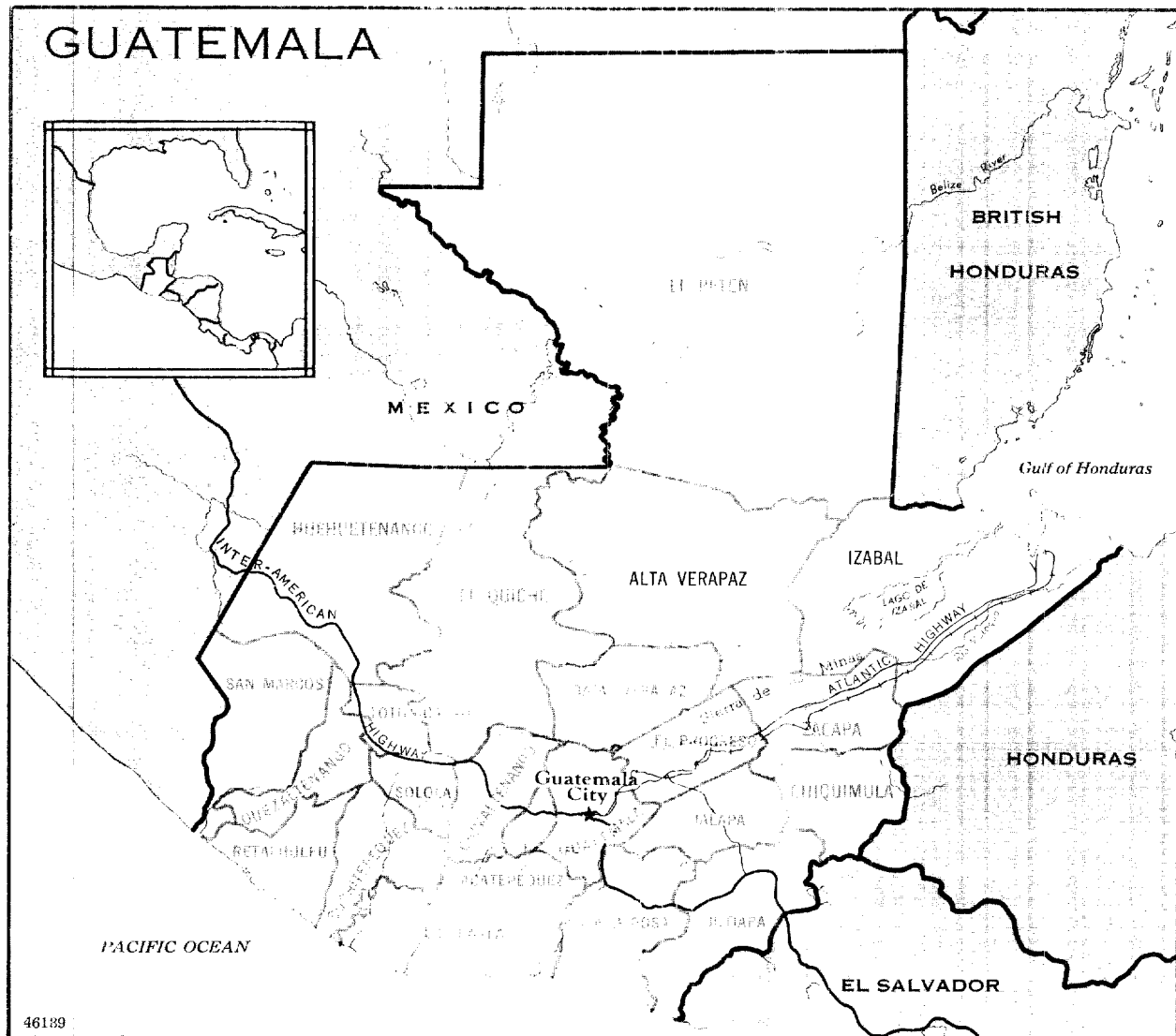
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AREA NOTE

Guatemala: Guatemalan armed forces have reacted quickly and effectively against new guerrilla activity in central Alta Verapaz Department. These operations netted arms, ammunition, and other evidence which may point to Cuban involvement.

The rebels apparently had regrouped in Alta Verapaz after suffering setbacks during an army campaign last August and September in Izabal Department. On the strength of what was turned up by last week's actions, the army is convinced that four bands, totaling some 80 well-armed rebels, are now in the Minas Mountains.

The rebels' recently augmented strength, together with the use

of such tactics as paying the peasants for supplies, suggests that they may be getting both aid and advice from Cuba, perhaps by way of Mexico and British Honduras. The guerrillas may also have received a psychological boost from a Radio Havana broadcast to Guatemala which boasted of a 17 October guerrilla attack almost as soon as it occurred.

that a power struggle is shaping up over the choice of a regime-backed candidate for the presidential elections now planned for mid-1965. Colonel Miguel Ponciano, the chief of staff, is apparently favored by the high military command which had put Colonel Peralta in power in March 1963. However, the finance minister, Major Lucas Caballeros, is a strong contender because of the effective support he has built up among middle-ranking army officers, some government officials, and leftist groups.

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Western Hemisphere

BRAZILIAN GOVERNOR LACERDA'S PRESIDENTIAL AMBITIONS

An all-out effort by Carlos Lacerda to boost his presidential ambitions is having an unsettling effect on Brazilian politics. With a view to running in the elections, now set for 1966, Lacerda, the conservative governor of Guanabara State, is concentrating on winning the nomination of the large National Democratic Union (UDN) which is holding a national convention in Sao Paulo on 7-8 November.

Lacerda's supporters are confident that the governor will get the nod, although probably only by a narrow margin. Some powerful figures, such as Governor Magalhaes Pinto of Minas Gerais State, a party stronghold, oppose him. Many probably will not attend the convention because they feel it is too early to select a candidate. Others oppose Lacerda for personal and regional reasons.

Lacerda, however, probably feels that he must make his move now. His popularity, which is based largely on relentless opposition to Communism and to corruption in past governments, has been diminishing. Many moderates and conservatives who formerly supported him have switched allegiance to Castello Branco. For example, an influential Rio newspaper, O Globo, broke with Lacerda earlier this month after having supported him more than 15 years.

Lacerda probably also believes that his early nomination by the UDN, which has close ties with the administration, will enhance his prospects of eventually gaining Castello Branco's support. Lacerda, therefore, although he will criticize the government on certain issues during the convention, reportedly has said that he will work for a resolution supporting the regime.

In any event, the UDN convention promises to bring on a new upsurge of political activity. Several other political groups have declared that they would consider Lacerda's nomination as a signal to launch their own campaigns.

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